



Mtubatuba Municipality  
(Registration number KZN 275)

Annual Financial Statements  
for the year ended June 30, 2018

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## General Information

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### Legal form of entity

Municipality

### Mayoral committee

Executive Committee

Cllr VM Gumede - Mayor  
Cllr NJ Mlambo - Deputy Mayor  
Cllr MM Davies - Speaker  
Cllr LM Mkhwanazi  
Cllr MQ Mkhwanazi  
Cllr V Ncamphalala  
Cllr M Shobede

Councillors

Cllr M Gina  
Cllr P Tembe  
Cllr NG Khumalo  
Cllr Z Nyawo  
Cllr J Gumede  
Cllr F Mpanza  
Cllr S Shezi  
Cllr RM Bukhosini  
Cllr S Khumalo  
Cllr M Ndlovu  
Cllr N Zuma  
Cllr L Mkhwanazi  
Cllr V Madonsela  
Cllr P Mkhwanazi  
Cllr S Sibiya  
Cllr D Ntuli  
Cllr Z Mhlongo  
Cllr S Khoza  
Cllr S Khumalo  
Cllr S Gumede  
Cllr P Msweli  
Cllr R Mkhwanazi  
Cllr G Msane  
Cllr M Mthethwa  
Cllr P Manqele  
Cllr A Mabika  
Cllr P Ntshalintshali  
Cllr J Lembede  
Cllr T Zikhali  
Cllr Z Mthethwa  
Cllr K Mpontshana  
Cllr M Govender  
Cllr BM Zulu  
Cllr MC Funeka (Resigned)  
Cllr SC Mkhwanazi (Resigned)  
Cllr TN Muyeni (Resigned)

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(Registration number KZN 275)

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## General Information

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<b>Grading of local authority</b>	Grade 3
<b>Accounting Officer</b>	Mr JA Mngomezulu
<b>Chief Finance Officer (CFO)</b>	Mr NN Shandu
<b>Registered office</b>	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
<b>Business address</b>	Lot 105 Inkosi Mtubatuba Road Mtubatuba 3935
<b>Postal address</b>	PO Box 52 Mtubatuba 3935
<b>Bankers</b>	First National Bank Mtubatuba
<b>Auditors</b>	Auditor General South Africa Registered Auditors
<b>Lawyers</b>	Ngubane & Associates
<b>Telephone and Fax</b>	035 550 0069 035 550 0060

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### Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
CIGFARO	Chartered Institute of Government Finance, Audit and Risk Officers(Previously IMFO)
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Mtubatuba Municipality**

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Annual Financial Statements for the year ended June 30, 2018

## **Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the municipality sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2019 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 6 to 56, which have been prepared on the going concern basis, were approved by the council on August 31, 2018 and were signed on its behalf by:

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**Mr JA Mngomezulu**  
**Accounting Officer**

# **Mtubatuba Municipality**

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## **Auditor's Report**

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# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Statement of Financial Position as at June 30, 2018

	Note(s)	2018 R	2017 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from non-exchange transactions	7	2,121,579	1,719,079
VAT receivable	8	2,416,788	3,477,449
Trade and other receivables from exchange transactions	9	39,874,470	28,881,817
Cash and cash equivalents	10	12,296,636	7,575,328
		<b>56,709,473</b>	<b>41,653,673</b>
<b>Non-Current Assets</b>			
Investment property	4	36,238,000	41,634,000
Property, plant and equipment	3	356,614,601	344,523,522
Intangible assets	5	84,556	621,155
Heritage assets	6	1,024,835	1,024,835
		<b>393,961,992</b>	<b>387,803,512</b>
<b>Total Assets</b>		<b>450,671,465</b>	<b>429,457,185</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	13	37,121,389	25,982,139
Payroll accruals	14	2,909,364	1,940,351
Unspent conditional grants and receipts	11	4,533,595	2,448,173
Provisions	12	101,344	63,399
Income received in advance - credit balances in debtors	9	1,540,129	1,213,497
		<b>46,205,821</b>	<b>31,647,559</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	35	2,219,000	2,302,000
Provisions	12	24,311,213	23,542,549
		<b>26,530,213</b>	<b>25,844,549</b>
<b>Total Liabilities</b>		<b>72,736,034</b>	<b>57,492,108</b>
<b>Net Assets</b>		<b>377,935,431</b>	<b>371,965,077</b>
Accumulated surplus		377,935,431	371,965,077

\* See Note 28

# Mtubatuba Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Statement of Financial Performance

	Note(s)	2018 R	2017 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Refuse removal		4,065,793	4,012,335
Rendering of security services		1,904,438	1,940,805
Rental of facilities and equipment		303,364	234,952
Licences and permits		1,778,298	2,506,447
Fees earned		408,524	395,482
Other income	38	2,490,866	8,549
Interest on consumer debtors	39	11,548,946	8,271,945
Interest received - investment	40	1,765,050	2,014,252
<b>Total revenue from exchange transactions</b>		<b>24,265,279</b>	<b>19,384,767</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	36	29,558,053	31,196,046
<b>Transfer revenue</b>			
Government grants & subsidies	15	181,709,204	159,777,071
Fines	37	1,542,387	1,896,562
<b>Total revenue from non-exchange transactions</b>		<b>212,809,644</b>	<b>192,869,679</b>
<b>Total revenue</b>		<b>237,074,923</b>	<b>212,254,446</b>
<b>Expenditure</b>			
Employee related costs	17	(71,674,767)	(55,096,432)
Remuneration of councillors	18	(14,101,092)	(12,442,364)
Depreciation and amortisation	20	(28,782,157)	(27,239,725)
Finance costs	21	(2,005,386)	(2,110,656)
Lease rentals on operating lease		(2,341,537)	(1,907,232)
Debt Impairment	19	(10,267,118)	(18,621,930)
Contracted services	23	(28,436,389)	(23,048,547)
General Expenses	16	(67,856,143)	(62,354,405)
<b>Total expenditure</b>		<b>(225,464,589)</b>	<b>(202,821,291)</b>
<b>Operating surplus</b>		<b>11,610,334</b>	<b>9,433,155</b>
Profit/Loss on disposal of assets		-	(1,737)
Assets written-off		(19,735)	(302,000)
Donations		107,755	-
Loss on derecognition of assets		(5,728,000)	-
		<b>(5,639,980)</b>	<b>(303,737)</b>
<b>Surplus for the year</b>		<b>5,970,354</b>	<b>9,129,418</b>

\* See Note 28



# Mtubatuba Municipality

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## Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
<b>Balance at July 1, 2016</b>	<b>364,132,879</b>	<b>364,132,879</b>
Changes in net assets		
Surplus for the year	9,129,418	9,129,418
Newly identified assets	612,694	612,694
Prior period errors	(1,909,914)	(1,909,914)
Total changes	7,832,198	7,832,198
<b>Restated* Balance at July 1, 2017</b>	<b>371,965,077</b>	<b>371,965,077</b>
Changes in net assets		
Surplus for the year	5,970,354	5,970,354
Total changes	5,970,354	5,970,354
<b>Balance at June 30, 2018</b>	<b>377,935,431</b>	<b>377,935,431</b>
Refer to Note 28 for prior period errors		

\* See Note 28

# Mtubatuba Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Cash Flow Statement

	Note(s)	2018 R	2017 Restated* R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		39,430,870	25,644,211
Grants		183,794,625	159,713,000
Interest income		1,765,050	2,014,252
Fines		107,150	201,790
		<u>225,097,695</u>	<u>187,573,253</u>
<b>Payments</b>			
Employee costs		(85,775,859)	(67,538,796)
Suppliers		(94,263,858)	(78,051,751)
Finance costs		(82,682)	(222,942)
		<u>(180,122,399)</u>	<u>(145,813,489)</u>
<b>Net cash flows from operating activities</b>	24	<u><b>44,975,296</b></u>	<u><b>41,759,764</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(40,446,696)	(49,493,093)
Purchase of other intangible assets	5	(133,924)	(1,365,976)
Proceed on asset disposal		-	184,960
<b>Net cash flows from investing activities</b>		<u><b>(40,580,620)</b></u>	<u><b>(50,674,109)</b></u>
<b>Cash flows from financing activities</b>			
Movement in income received in advance		326,632	377,906
Finance lease payments		-	(49,128)
<b>Net cash flows from financing activities</b>		<u><b>326,632</b></u>	<u><b>328,778</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,721,308</b>	<b>(8,585,567)</b>
Cash and cash equivalents at the beginning of the year		7,575,328	16,160,895
<b>Cash and cash equivalents at the end of the year</b>	10	<u><b>12,296,636</b></u>	<u><b>7,575,328</b></u>

\* See Note 28

# Mtubatuba Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	5,220,000	-	5,220,000	4,065,793	(1,154,207)	1
Rendering of security services	2,556,000	-	2,556,000	1,904,438	(651,562)	2
Rental of facilities and equipment	198,000	-	198,000	303,364	105,364	3
Licences and permits	2,405,000	-	2,405,000	1,778,298	(626,702)	4
Other income	224,000	57,000	281,000	2,899,390	2,618,390	5
Interest on consumer debtors	7,907,000	-	7,907,000	11,548,946	3,641,946	6
Interest received - investment	3,000,000	(1,572,000)	1,428,000	1,765,050	337,050	7
<b>Total revenue from exchange transactions</b>	<b>21,510,000</b>	<b>(1,515,000)</b>	<b>19,995,000</b>	<b>24,265,279</b>	<b>4,270,279</b>	

##### Revenue from non-exchange transactions

Property rates	38,099,000	-	38,099,000	29,558,053	(8,540,947)	8
Government grants & subsidies	188,312,000	10,083,000	198,395,000	181,709,204	(16,685,796)	10
Fines	2,710,000	-	2,710,000	1,542,387	(1,167,613)	9
<b>Total revenue from non-exchange transactions</b>	<b>229,121,000</b>	<b>10,083,000</b>	<b>239,204,000</b>	<b>212,809,644</b>	<b>(26,394,356)</b>	
<b>Total revenue</b>	<b>250,631,000</b>	<b>8,568,000</b>	<b>259,199,000</b>	<b>237,074,923</b>	<b>(22,124,077)</b>	

#### Expenditure

Employee related costs	(67,875,000)	(675,000)	(68,550,000)	(71,674,767)	(3,124,767)	11
Remuneration of councillors	(12,923,000)	(1,427,000)	(14,350,000)	(14,101,092)	248,908	12
Depreciation and amortisation	(21,600,000)	(5,800,000)	(27,400,000)	(28,782,157)	(1,382,157)	13
Finance costs	(1,421,000)	-	(1,421,000)	(2,005,386)	(584,386)	14
Lease rentals on operating lease	-	-	-	(2,341,537)	(2,341,537)	15
Debt written off and credit impairment	(11,224,000)	-	(11,224,000)	(10,267,118)	956,882	16
Contracted Services	(35,121,000)	352,000	(34,769,000)	(28,436,389)	6,332,611	17
Transfers and grants	(850,000)	-	(850,000)	-	850,000	18
General Expenses	(41,391,000)	22,000	(41,369,000)	(67,856,143)	(26,487,143)	19
<b>Total expenditure</b>	<b>(192,405,000)</b>	<b>(7,528,000)</b>	<b>(199,933,000)</b>	<b>(225,464,589)</b>	<b>(25,531,589)</b>	
<b>Operating surplus</b>	<b>58,226,000</b>	<b>1,040,000</b>	<b>59,266,000</b>	<b>11,610,334</b>	<b>(47,655,666)</b>	
Assets written off	-	-	-	(19,735)	(19,735)	
Donations	-	-	-	107,755	107,755	
	-	-	-	88,020	88,020	
<b>Surplus before taxation</b>	<b>58,226,000</b>	<b>1,040,000</b>	<b>59,266,000</b>	<b>11,698,354</b>	<b>(47,567,646)</b>	

# Mtubatuba Municipality

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## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R	Reference
	R	R	R	R	R	

(1) This may be due to the decrease in property values and number of properties in supplementary valuation roll.

(2) This was over budgeted for when compared to the 2016/17 audited outcomes. The municipality has properly budgeted for this line item in the 2018/19 financial year.

(3) This is because of new community facilities such as Inkosi Mzondeni Civic Center which is increasing revenue from this line item.

(4) Licence and Permits has an adverse variance. This is because of an upgrade that is taking place at the testing station which resulted in less work activities compared to previous years.

(5) The municipality does not have control on this line item, hence it depends on the need of the community. However the favourable variance is attributable to the insurance claim for KwaMsane community hall which was paid directly to the municipality.

(6) The continuous increase on this line item is because of an increase in long outstanding debtors from debtors book which also increase interest on accounts on monthly bases.

(7) This is because of enough cash available which was held under portfolio investment.

(8) Property rates has an adverse variance. This is because of mSCOA implementation or system technicalities as property rates are even below the 2016/17 audited outcome and need to be investigated further.

(9) This is because of no working resources at public safety department namely ticket books, speed cameras and proper policy or gazett relating to traffic fines.

(10) During the compilation of the budget, INEP was added as a grant, however it is excluded in the annual financial statements as it is no longer recognised as revenue.

(11) This is because of the filling of vacant posts and the new posts created during the year. Also cost associated with overtime, travel allowance etc contributed to this variance. (12)

This is because of backpays that were made to councillors. The municipality was supposed to increase councillor's remuneration in 2017 but did not receive the necessary notice on time regarding the increase.

(13) This was under budgeted for given the assets which were bought and those that were later capitalized in the current year.

(14) Finance charges relates to the provision for the landfill site rehabilitation after its useful life. This was also under budgeted for.

(15) Lease rentals on operating lease were budgeted for under contracted services.

(16) This is because the fact that the municipality has thoroughly reviewed and performed debt impairment at year end.

(17) This is because of the late appointments of the budgeted contracted services and no full spending on repairs and maintenance.

(18) The expenditure for transfers and grants is classified under general expenses.

(19) The line item has increased due to the increase in IT expenses as a result of new offices and an increase in repairs & maintenance cost based on the community needs during the financial year.

# Mtubatuba Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. The figures in these annual financial statements have been rounded to the nearest rand (i.e. no cents).

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with those applied in the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables

The municipality assesses its trade receivables, held at amortised cost, for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or loss, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

In making the estimation of impairment, management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible and intangible assets are inherently uncertain and could materially change over time.

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## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

#### Provision for landfill site

The entity has an obligation to rehabilitate its landfill site in terms of its licence stipulations. Provision is made for this obligation based on the size/ extent of the land to be rehabilitated, the rehabilitation cost per square metre, the monitoring cost per square metre, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value to represent the time value of money.

#### Other provisions

The municipality's other provisions consist of a provision for long service award. Provisions are measured as the present value of the estimated future outflows required to settle the obligation.

Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

#### Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 35.

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.4 Investment property (continued)

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus for the period in which it arises.

The carrying amount of an item of investment property is derecognised on disposal or when no future economic benefit or service potential are expected from its use or disposal. Transfers to, or from, investment property is made when, and only when, there is a change in use.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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### 1.5 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one accounting period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Other Assets	Straight line	30
Machinery and equipment	Straight line	
• Specialised plant and equipment		10 - 15
• Other items of plant and equipment		2 - 5
Furniture and office equipment	Straight line	7 - 10
Transport assets	Straight line	5 - 10
Infrastructure	Straight line	
• Road infrastructure		15 - 30
• Solid waste infrastructure		15
• Storm water infrastructure		15 - 30
Community assets	Straight line	
• Cemetary		20 - 30
• Community centres		20 - 30
• Community halls		20 - 30
• Creches		20 - 30
• Libraries		20 - 30
• Outdoor recreational facilities		20 - 30
• Market stalls		20 - 30

The municipality assess at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change(s) shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors .



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## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:

- (a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- (b) The use of the asset has changed, because of the following:
  - (i) The municipality has changed the manner in which the asset is used.
  - (ii) The municipality has changed the utilisation rate of the asset.
  - (iii) The municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
  - (iv) Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
  - (v) Legal or similar limits placed on the use of the asset have changed.
  - (vi) The asset was idle or retired from use during the reporting period.
- (c) The asset is approaching the end of its previously expected useful life.
- (d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- (f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (g) The asset is assessed as being impaired in accordance with GRAP 21 and GRAP 26.

In assessing whether there is any indication that the expected residual value of an asset has changed, the municipality shall consider whether there has been any change in the expected timing of disposal of the asset, as well as any relevant indicators included in the paragraph above.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or loss unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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### 1.6 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

Intangible assets are derecognised:

- on disposal; or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

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### 1.8 Financial instruments

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost.
- Financial liabilities measured at amortised cost.
- Financial instruments at fair value.

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value plus in case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to acquisition or issue.

Transaction costs on financial instruments at fair value through surplus or loss are recognised in surplus or loss.

#### Subsequent measurement

Financial instruments at fair value are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or loss for the period.

Financial assets and liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets; (individually for all significant debtors account and collectively for other debtors with similar credit risk characteristics), other than those at fair value, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or loss.

#### Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or loss when there is objective evidence that the asset is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in surplus or loss within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or loss.

Trade and other receivables are classified as financial assets at amortised cost.

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## Accounting Policies

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### 1.8 Financial instruments (continued)

#### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.10 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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### 1.10 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or loss.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying value amount with its recoverable amount. This impairment test is performed at the same time every year.

### Value in use

Value in use of cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

# **Mtubatuba Municipality**

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## **Accounting Policies**

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### **1.11 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

#### **Defined contribution plans**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement

Any adjustments arising from the limit above is recognised in surplus or loss.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or loss, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

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## Accounting Policies

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### 1.11 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

### 1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.



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### 1.13 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff.

Service charges relating to security services are recognised on a monthly basis in arrears by applying the approved tariff.

#### Interest income

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or loss, using the effective interest rate method.

### 1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

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## Accounting Policies

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### 1.14 Revenue from non-exchange transactions (continued)

#### Rates, including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summons. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summons the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Revenue on both spot fines and summons is recognised based on the amount of each fine issued. Any subsequent court reduction on the amount of fines issued is accounted for as a change in the estimated revenue.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any conditions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Conditions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other conditions have been complied with.

### 1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds. These costs are recognised as expenses in surplus or deficit for the year.

### 1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

# Mtubatuba Municipality

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## Accounting Policies

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### 1.17 Unauthorised expenditure

Unauthorised expenditure in relation to a Municipality, means any expenditure incurred by a municipality otherwise than in accordance with Section 15 or 11(3), and includes-

- Overspending of the total amount appropriated in the municipality's approved budget;
- Overspending of the total amount appropriated for a vote in the approved budget;
- Expenditure from a vote unrelated to the department or functional area covered by the vote;
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.

### 1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure, in relation to a municipality, means-

- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of this Act and which has not been condoned in terms of section 170;25
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of the Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Beaes Act, 1998 (Act 30 No. 20 of 1998) or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in 35 terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Accounting Policies

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### 1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.21 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis.

The approved budget covers the fiscal period from 01/07/2017 to 30/06/2018.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 1.24 Events after the reporting date

Events after the reporting date that have been classified as adjusting events are accounted for in the annual financial statements. Events after the reporting date that are classified as non-adjusting events after reporting date are disclosed in the notes to the annual financial statements.

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

	2018 R	2017 R
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>GRAP 18: Segment Reporting</li></ul>	April 1, 2017	Not Applicable
<ul style="list-style-type: none"><li>GRAP 21 (as amended 2015): Impairment of non-cash-generating assets</li></ul>	April 1, 2017	The impact is not material
<ul style="list-style-type: none"><li>GRAP 26 (as amended 2015): Impairment of cash-generating assets</li></ul>	April 1, 2017	The impact is not material

#### 2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>GRAP 20: Related parties</li></ul>	April 1, 2019	The impact is not material.
<ul style="list-style-type: none"><li>GRAP 32: Service Concession Arrangements: Grantor</li></ul>	April 1, 2019	The impact is not material
<ul style="list-style-type: none"><li>GRAP 108: Statutory Receivables</li></ul>	April 1, 2019	The impact is not material
<ul style="list-style-type: none"><li>GRAP 109: Accounting by Principals and Agents</li></ul>	April 1, 2019	The impact is not material

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

### 3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	30,355,190	-	30,355,190	30,687,190	-	30,687,190
Plant and machinery	-	-	-	2,692,607	(2,692,607)	-
Furniture and fixtures	-	-	-	1,631,033	(1,631,033)	-
Office equipment	-	-	-	1,397,660	(1,397,660)	-
Infrastructure	-	-	-	74,933,258	(74,933,258)	-
Community	114,132,091	(23,649,672)	90,482,419	77,640,485	(15,620,838)	62,019,647
Other assets	24,238,114	(5,229,434)	19,008,680	27,656,926	(8,034,090)	19,622,836
Bins and containers	-	-	-	469,957	(469,957)	-
Other property, plant and equipment	-	-	-	207,884	(207,884)	-
Computer equipment	2,095,076	(605,782)	1,489,294	1,149,655	-	1,149,655
Furniture and office equipment	7,063,334	(3,413,730)	3,649,604	3,429,984	-	3,429,984
Machinery and equipment	6,872,651	(2,405,050)	4,467,601	-	4,964,406	4,964,406
Road infrastructure	145,278,765	(65,053,741)	80,225,024	94,161,661	-	94,161,661
Solid waste infrastructure	14,861,322	(7,961,095)	6,900,227	10,127,100	-	10,127,100
Storm water infrastructure	83,651,296	(21,839,033)	61,812,263	64,514,178	-	64,514,178
Transport assets	11,259,213	(4,838,463)	6,420,750	11,259,212	(3,825,061)	7,434,151
Specialised vehicles	-	-	-	134,166	(134,166)	-
Water tanks	-	-	-	72,326	(72,326)	-
Work-in-progress other assets	7,696,823	-	7,696,823	294,824	-	294,824
Work-in-progress community assets	16,774,081	-	16,774,081	23,791,252	-	23,791,252
Work-in-progress infrastructure	27,332,645	-	27,332,645	22,326,638	-	22,326,638
<b>Total</b>	<b>491,610,601</b>	<b>(134,996,000)</b>	<b>356,614,601</b>	<b>448,577,996</b>	<b>(104,054,474)</b>	<b>344,523,522</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers	Donations	Assets written-off	Derecognition	Depreciation	Total
Land	30,687,190	-	-	-	-	(332,000)	-	30,355,190
Community	62,019,647	235,006	32,830,987	-	-	-	(4,603,221)	90,482,419
Other assets	19,622,836	192,711	-	-	-	-	(806,867)	19,008,680
Computer equipment	1,149,655	592,894	-	-	-	-	(253,255)	1,489,294
Furniture and office equipment	3,429,984	903,013	-	107,755	(19,738)	-	(771,410)	3,649,604
Machinery and equipment	4,964,406	247,880	-	-	-	-	(744,685)	4,467,601
Road infrastructure	94,161,661	53,370	-	-	-	-	(13,990,007)	80,225,024
Solid waste infrastructure	10,127,100	-	-	-	-	-	(3,226,873)	6,900,227
Storm water infrastructure	64,514,178	-	-	-	-	-	(2,701,915)	61,812,263
Transport assets	7,434,151	-	-	-	-	-	(1,013,401)	6,420,750
Work-in-progress other assets	294,824	7,401,999	-	-	-	-	-	7,696,823
Work-in-progress community assets	23,791,252	25,813,816	(32,830,987)	-	-	-	-	16,774,081
Work-in-progress road infrastructure	22,326,638	5,006,007	-	-	-	-	-	27,332,645
	<b>344,523,522</b>	<b>40,446,696</b>	<b>-</b>	<b>107,755</b>	<b>(19,738)</b>	<b>(332,000)</b>	<b>(28,111,634)</b>	<b>356,614,601</b>

## Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

### Notes to the Annual Financial Statements

#### 3. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Newly identified assets	Depreciation	Total
Land	30,991,190	-	(304,000)	-	-	-	30,687,190
Community	62,528,420	135,429	-	3,161,269	-	(3,805,471)	62,019,647
Other assets	19,393,920	359,594	-	439,153	-	(569,831)	19,622,836
Computer equipment	376,689	902,437	-	-	-	(129,471)	1,149,655
Furniture and office equipment	2,989,447	515,255	-	-	527,715	(602,433)	3,429,984
Machinery and equipment	3,857,433	1,774,787	-	-	84,976	(752,790)	4,964,406
Road Infrastructure	88,992,089	-	-	18,687,797	-	(13,518,225)	94,161,661
Solid waste infrastructure	13,353,973	-	-	-	-	(3,226,873)	10,127,100
Storm water infrastructure	67,216,094	-	-	-	-	(2,701,916)	64,514,178
Transport assets	6,574,513	2,103,012	(233,574)	-	-	(1,009,800)	7,434,151
Work-in-progress buildings	319,010	-	-	(24,186)	-	-	294,824
Work-in-progress community assets	6,922,067	16,869,185	-	-	-	-	23,791,252
Work-in-progress infrastructure	17,757,277	26,833,394	-	(22,264,033)	-	-	22,326,638
	<b>321,272,122</b>	<b>49,493,093</b>	<b>(537,574)</b>	<b>-</b>	<b>612,691</b>	<b>(26,316,810)</b>	<b>344,523,522</b>

##### Pledged as security

There was no property, plant and equipment pledged as security.



# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

	2018 R	2017 R
<b>3. Property, plant and equipment (continued)</b>		
<b>Reconciliation of Work-in-Progress 2018</b>		
The cumulative expenditure for assets that are in the process of being constructed/developed (work in progress), are represented by class of asset as follows:		
Other Assets	7,696,823	294,824
Community Assets	16,774,081	23,791,252
Road infrastructure	27,332,645	22,326,638
	<b>51,803,549</b>	<b>46,412,714</b>

Included in property, plant and equipment are property that have been identified as taking significantly longer period of time to complete than expected, due to the following:-

### Khula Village High Mast Lights

- The accumulative expenditure has amounted to R1 659 289;
- The municipality has been experiencing delays due to the delayed response from the contractors with regards to the replantation of the requested poles required.

Included in the carrying amount, are property, plant and equipment that have been identified as halted during current and prior reporting periods, due to the following:

### KwaMnguni Sports Field (Ward 14)

- The accumulative expenditure has amounted to R1 580 953;
- The contract between the municipality and the contractor was terminated during 2016/17 financial period due to non-performance of the contractor.

### KwaMnguni Sports Field (Ward 2)

- The accumulative expenditure has amounted to R645 161;
- The contract between the municipality and the contractor was terminated during 2016/17 financial period due to non-performance of the contractor.

### Ezwenilisha Market Stalls

- The accumulative expenditure has amounted to R76 435;
- The municipality has been experiencing delays due to land debates and issues. This has caused delays in the commencement date of construction.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

	2018 R	2017 R
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### 3. Property, plant and equipment (continued)

#### Repairs & maintenance

Repairs and maintenance incurred to maintain property, plant and equipment is represented as follows:

Cost of service providers (contracted services)	12,705,955	3,275,067
Materials and supplies	1,032,014	1,249,565
Employee costs	1,901,869	1,628,282
	<b>15,639,838</b>	<b>6,152,914</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

	2018 R	2017 R
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### 4. Investment property

	2018			2017		
	Cost / Valuation	Accumulated impairment	Carrying value	Cost / Valuation	Accumulated impairment	Carrying value
Investment property	36,238,000	-	36,238,000	41,634,000	-	41,634,000

#### Reconciliation of investment property - 2018

	Opening balance	Derecognition	Total
Investment property	41,634,000	(5,396,000)	36,238,000

#### Reconciliation of investment property - 2017

	Opening balance	Derecognition	Total
Investment property	41,936,000	(302,000)	41,634,000

There was no direct income generated by investment properties nor direct expenses incurred on investment properties.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software	2,504,900	(2,420,344)	84,556	2,370,976	(1,749,821)	621,155

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Software	621,155	133,924	(670,523)	84,556

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Software	178,095	1,365,976	(922,916)	621,155

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

	2018 R	2017 R
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### 6. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Statue	1,024,835	-	1,024,835	1,024,835	-	1,024,835

#### Reconciliation of heritage assets 2018

	Opening balance	Total
Statue	1,024,835	1,024,835

#### Reconciliation of heritage assets 2017

	Opening balance	Total
Statue	1,024,835	1,024,835

### 7. Receivables from non-exchange transactions

Fines	1,412,325	1,007,845
Other receivables from non-exchange revenue	709,254	711,234
	<b>2,121,579</b>	<b>1,719,079</b>

#### Included in receivables from non-exchange transactions is:

Fines	8,461,769	7,282,610
Other	964,325	711,234
Less: Credit impairment	(7,304,515)	(6,274,765)
	<b>2,121,579</b>	<b>1,719,079</b>

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(6,274,765)	(4,908,968)
Provision for impairment	(1,142,800)	(1,365,797)
	<b>(7,417,565)</b>	<b>(6,274,765)</b>

#### Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2018, R 457,600 (2017: R 332,750) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	125,900	165,000
2 months past due	205,800	167,750
3 months past due	125,900	-

## Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

### Notes to the Annual Financial Statements

	2018 R	2017 R
<b>8. VAT receivable</b>		
VAT	<u>2,416,788</u>	<u>3,477,449</u>

Mtubatuba Municipality accounts for VAT on cash basis.

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

	2018 R	2017 R
<b>9. Trade and other receivables from exchange transactions</b>		
<b>Gross balances</b>		
Rates	88,866,226	72,169,244
Refuse	13,922,413	11,989,499
Security	7,483,393	5,937,809
	<b>110,272,032</b>	<b>90,096,552</b>
<b>Less: Allowance for impairment</b>		
Rates	(57,021,994)	(45,116,964)
Refuse	(8,146,685)	(10,756,508)
Security	(5,228,883)	(5,341,263)
	<b>(70,397,562)</b>	<b>(61,214,735)</b>
<b>Net balance</b>		
Rates	31,844,232	27,052,280
Refuse	5,775,728	1,232,991
Security	2,254,510	596,546
	<b>39,874,470</b>	<b>28,881,817</b>
<b>Agriculture, business and mining</b>		
Current (0 -30 days)	1,221,143	2,143,901
31 - 60 days	987,159	869,878
61 - 90 days	829,173	787,736
91 - 120 days	869,761	738,225
121 - 365 days	20,564,724	16,292,780
	<b>24,471,960</b>	<b>20,832,520</b>
<b>Residential</b>		
Current (0 -30 days)	2,171,123	3,353,748
31 - 60 days	1,940,215	1,510,781
61 - 90 days	1,776,732	1,439,696
91 - 120 days	1,693,371	1,400,711
121 - 365 days	69,210,336	56,374,149
	<b>76,791,777</b>	<b>64,079,085</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

	2018 R	2017 R
<b>9. Trade and other receivables from exchange transactions (continued)</b>		
<b>Other debtors</b>		
Current (0 -30 days)	173,465	644,703
31 - 60 days	123,140	(500,283)
61 - 90 days	245,883	280,236
91 - 120 days	122,235	(39,950)
121 - 365 days	6,803,444	3,586,745
	<b>7,468,167</b>	<b>3,971,451</b>
<b>Total</b>		
Current (0 -30 days)	3,565,732	6,147,545
31 - 60 days	3,050,514	1,882,834
61 - 90 days	2,851,788	2,510,127
91 - 120 days	2,685,366	2,101,444
121 - 365 days	96,578,503	76,241,105
Add back: Credit balances in debtors	1,540,129	1,213,497
Less: Credit impairments	(70,397,562)	(61,214,735)
	<b>39,874,470</b>	<b>28,881,817</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(61,214,735)	(54,228,111)
Contributions to allowance	(9,182,827)	(6,986,624)
	<b>(70,397,562)</b>	<b>(61,214,735)</b>
<b>Consumer debtors past due but not impaired</b>		
Other Consumer debtors which are 3 months past due are not considered to be impaired. At June 30, 2018, R 7,339,058 (2017: R 7,133,165) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	3,730,845	3,773,242
2 months past due	2,129,794	1,732,506
3 months past due	1,478,419	1,627,417
<b>10. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	15,278	15,005
Bank balances	3,508,367	5,233,866
Short-term deposits	8,716,283	2,308,486
Other cash and cash equivalents	56,708	17,971
	<b>12,296,636</b>	<b>7,575,328</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

	2018 R			2017 R		
<b>10. Cash and cash equivalents (continued)</b>						
<b>The municipality had the following bank accounts</b>						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	June 30, 2017	June 30, 2016	30 June 2018	June 30, 2017	June 30, 2016
First National Bank - Primary - 53093735184	2,464,623	4,165,675	1,316,363	2,465,771	4,165,675	1,317,355
First National Bank - Eskom - 71044025057	191,600	191,600	191,600	191,600	191,600	191,600
First National Bank - Money Market - 62424097831	35,386	1,348,148	1,277,446	35,386	1,348,148	1,277,446
First National Bank - Call Account - 62424098376	7,070,773	735,056	12,970,386	7,070,773	735,056	12,970,386
First National Bank - Money Market 3 - 62424094986	1,418,524	33,681	31,962	1,418,524	33,681	31,962
First National Bank - Traffic Fines - 62451696995	221,567	301,698	289,633	221,567	301,698	289,579
First National Bank - Petty Cash - 62393938249	23,689	39,614	39,602	23,689	39,614	39,602
Investec Fixed Deposit	154,207	144,457	-	154,207	144,457	-
Ithala Corporate Fixed Deposit	513,486	460,914	-	513,486	460,914	-
Nedbank Limited Investment	129,646	121,509	-	129,646	121,509	-
Cash on hand	-	-	-	15,278	15,004	15,000
Cashiers collection	-	-	-	56,777	17,971	27,964
Direct Deposit	-	-	-	(68)	-	-
<b>Total</b>	<b>12,223,501</b>	<b>7,542,352</b>	<b>16,116,992</b>	<b>12,296,636</b>	<b>7,575,327</b>	<b>16,160,894</b>

## 11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

### Unspent conditional grants and receipts

Low Cost Housing Grant	1,232,377	1,232,377
Infrastructure Sport Facilities	321,756	321,756
Rural electrification	163	-
MTB library computer assistance	-	2,489
Expanded public works	293,832	-
Sport & recreation grant	2,684,981	891,520
Finance management	486	31
	<b>4,533,595</b>	<b>2,448,173</b>

### Movement during the year

Balance at the beginning of the year	2,448,173	2,512,244
Additions during the year	63,361,463	51,894,000
Income recognition during the year	(46,676,204)	(51,958,071)
INEP expenditure	(14,599,837)	-
	<b>4,533,595</b>	<b>2,448,173</b>



# Mtubatuba Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

				2018 R	2017 R	
<b>12. Provisions</b>						
<b>Reconciliation of provisions - 2018</b>						
	Opening Balance	Additions	Utilised during the year	Interest cost	Service cost	Total
Environmental rehabilitation	21,716,018	298,351	-	-	-	22,014,369
Long Service Award Benefits	63,399	101,344	(63,399)	-	-	101,344
- Short Term Portion						
Long Service Award Benefits	1,826,531	184,131	(80,776)	165,534	201,424	2,296,844
- Long Term						
	<b>23,605,948</b>	<b>583,826</b>	<b>(144,175)</b>	<b>165,534</b>	<b>201,424</b>	<b>24,412,557</b>
<b>Reconciliation of provisions - 2017</b>						
	Opening Balance	Additions	Utilised during the year	Interest cost	Service cost	Total
Environmental rehabilitation	21,576,691	984,504	(845,177)	-	-	21,716,018
Long Service Award Benefits	64,261	63,399	(64,261)	-	-	63,399
- Short Term Portion						
Long Service Award Benefits	1,563,679	58,700	(115,216)	139,131	180,237	1,826,531
	<b>23,204,631</b>	<b>1,106,603</b>	<b>(1,024,654)</b>	<b>139,131</b>	<b>180,237</b>	<b>23,605,948</b>
Non-current liabilities					24,311,213	23,542,549
Current liabilities					101,344	63,399
					<b>24,412,557</b>	<b>23,605,948</b>

### Environmental rehabilitation provision

The municipality was issued with a waste management licence for the operation with intention of closure, decommissioning and rehabilitation of Mtubatuba waste disposal site on 25 January 2016. The licence is valid for a period of 5 years from date of issue. The municipality was also issued with a licence to close, decommission and rehabilitate the St Lucia waste disposal site from 31 March 2016. The St Lucia waste disposal site is now closed. The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 10.25% over a period of 5 years (licence period).

# Mtubatuba Municipality

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## Notes to the Annual Financial Statements

	2018 R	2017 R
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### 12. Provisions (continued)

#### Long Service Awards Provision

In line with the guidelines of the Bargaining Council, the municipality remunerates its employees for the long services rendered to the municipality. The estimates of the present obligation are determined through the use of the Actuarial expertise. Such estimates are reviewed annually at end of the financial year. The finance cost and actuarial gains or losses are recognised directly in the statement of financial performance.

The municipality offers bonuses for every 5 years of completed service from 10 to 45 years. Long service accumulated leave must be taken within one year of receiving such leave or wholly or partially cashed. In most cases, employees choose to exercise the option to wholly convert their accumulated leave bonus into cash.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

#### Key assumptions

Discount rate	9.13%
CPI	5.66%
Salary increase rate	6.66%
Net discount rate	2.32%
Mortality	SA67-70

### 13. Payables from exchange transactions

Trade payables	8,817,936	4,536,094
Accrued leave pay	5,344,554	5,312,858
Accrued bonus	1,642,334	1,259,818
Accrued expenses	16,742,190	10,826,846
Retentions	4,574,375	4,046,523
	<b>37,121,389</b>	<b>25,982,139</b>

### 14. Payroll accruals

Medical aid contributions	597,830	348,713
PAYE, SDL & UIF	1,081,978	618,786
Pension fund contributions	855,355	686,143
Other contributions	374,201	286,709
	<b>2,909,364</b>	<b>1,940,351</b>

Third party payables in respect of all payroll related deductions.

# Mtubatuba Municipality

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## Notes to the Annual Financial Statements

	2018 R	2017 R
<b>15. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	132,131,000	119,414,000
Finance management grant / budget and treasury office	1,899,544	1,824,969
Library provincial support grant / libraries and archives	2,902,000	2,405,000
M T B library assistants - cadets/libraries and archives	378,490	399,862
EPWP/Road transport/Roads	1,264,168	1,408,000
Sport Caretakers/Community	10,881,002	3,108,480
MIG Operational	-	2,512,253
Energy Efficiency and Demand Grant	-	913,760
	<u>149,456,204</u>	<u>131,986,324</u>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	32,253,000	27,790,747
	<u>32,253,000</u>	<u>27,790,747</u>
	<u><b>181,709,204</b></u>	<u><b>159,777,071</b></u>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Low cost housing grant

Balance unspent at beginning of year	<u>1,232,377</u>	<u>1,232,377</u>
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Conditions still to be met - remain liabilities (see note 11).

The municipality is still waiting for approval from the Department of Human Settlements to use the funds.

### Infrastructure sport facilities

Balance unspent at beginning of year	321,756	321,755
	<u><b>321,756</b></u>	<u><b>321,756</b></u>

Conditions still to be met - remain liabilities (see note 11).

# Mtubatuba Municipality

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## Notes to the Annual Financial Statements

	2018 R	2017 R
<b>15. Government grants and subsidies (continued)</b>		
<b>MTB Library Computer Assistance</b>		
Balance unspent at beginning of year	2,489	44,352
Current-year receipts	376,000	358,000
Conditions met - transferred to revenue	(378,489)	(399,863)
	<u>-</u>	<u>2,489</u>
<b>Extended public works</b>		
Current-year receipts	1,558,000	1,408,000
Conditions met - transferred to revenue	(1,264,168)	(1,408,000)
	<u>293,832</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11).		
<b>Municipal infrastructure grant</b>		
Current-year receipts	32,253,000	30,303,000
Conditions met - transferred to revenue	(32,253,000)	(30,303,000)
	<u>-</u>	<u>-</u>
<b>Sport &amp; recreation caretakers</b>		
Balance unspent at beginning of year	891,520	-
Current-year receipts	12,674,463	4,000,000
Conditions met - transferred to revenue	(10,881,002)	(3,108,480)
	<u>2,684,981</u>	<u>891,520</u>
Conditions still to be met - remain liabilities (see note 11).		
The contractor is still on site, the conditions will be met as soon the contractor has completed on site.		
<b>Finance management grant</b>		
Balance unspent at beginning of year	31	-
Current-year receipts	1,900,000	1,825,000
Conditions met - transferred to revenue	(1,899,545)	(1,824,969)
	<u>486</u>	<u>31</u>
Conditions still to be met - remain liabilities (see note 11).		

# Mtubatuba Municipality

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## Notes to the Annual Financial Statements

	2018 R	2017 R
<b>15. Government grants and subsidies (continued)</b>		
<b>Energy Efficiency and Demand Grant</b>		
Balance unspent at beginning of year	-	913,760
Conditions met - transferred to revenue	-	(913,760)
	<u>-</u>	<u>-</u>
<b>16. General expenses</b>		
Advertising	3,104,955	2,033,507
Auditors remuneration	1,450,498	1,673,321
Bank charges	541,368	242,405
Public participation	4,249,595	2,343,238
Consulting and professional fees	12,782,870	15,728,009
Consumables	863,173	727,030
Councillors training	-	294,890
Entertainment	64,958	27,706
Plant hire	-	155,250
Insurance	420,717	324,709
Disaster Management	2,061,125	9,408,183
IT expenses	2,008,513	538,623
Vehicle rentals	302,822	-
Motor vehicle expenses	537,471	29,987
Fuel and oil	1,937,704	1,796,288
Postage and courier	47,765	15,529
Printing and stationery	1,946,761	814,441
Subscriptions and membership fees	693,921	555,722
Telephone and fax	2,225,311	1,899,887
Training	281,510	497,202
Travelling and accommodation	9,461,223	7,429,040
Refuse	78,550	105,286
Electricity	1,351,360	1,720,185
Uniforms	539,276	793,420
Special Programmes	3,661,353	6,223,805
Grants	-	99,750
Other Expenses	437,599	612,360
Contracted services - repairs and maintenance	12,705,955	3,275,067
Consultants executive	3,067,776	1,740,000
Material - repairs and maintenance	1,032,014	1,249,565
	<u><b>67,856,143</b></u>	<u><b>62,354,405</b></u>

# Mtubatuba Municipality

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## Notes to the Annual Financial Statements

	2018 R	2017 R
<b>17. Employee related costs</b>		
Basic	40,620,858	31,465,861
Medical aid - company contributions	3,498,017	2,752,183
UIF	325,978	279,473
SDL	872,150	598,825
Other payroll levies	19,466	15,117
Leave pay accrual	1,041,128	1,573,799
Group life insurance	1,693,092	1,590,467
Short term benefit	815,789	1,088,004
Defined contribution plans	6,564,499	4,143,469
Travel, motor car, accommodation, subsistence and other allowances	89,608	95,765
Overtime payments	5,128,648	4,241,577
Long-service awards	342,624	122,859
13th Cheques	3,330,989	1,886,755
Car allowance	6,705,131	4,282,064
Housing benefits and allowances	510,784	767,023
Telephone allowances	98,190	55,460
Standby allowance	17,816	137,731
	<b>71,674,767</b>	<b>55,096,432</b>
<b>Remuneration - Municipal Manager</b>		
Annual Remuneration	613,134	469,954
Car Allowance	180,000	60,000
Cellphone Allowance	8,480	14,480
Other	156,986	46,251
Housing Allowance	84,000	-
	<b>1,042,600</b>	<b>590,685</b>
<b>Remuneration - Chief Finance Officer</b>		
Annual Remuneration	367,269	400,577
Car Allowance	77,232	73,600
Cellphone Allowance	48,257	10,000
Other	-	61,802
	<b>492,758</b>	<b>545,979</b>
<b>Remuneration - Director Corporate Services</b>		
Annual Remuneration	508,712	576,972
Car Allowance	159,000	189,900
Cellphone Allowance	21,200	25,320
Other	186,530	195,393
Housing Allowance	127,200	-
	<b>1,002,642</b>	<b>987,585</b>

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## Notes to the Annual Financial Statements

	2018 R	2017 R
<b>17. Employee related costs (continued)</b>		
<b>Remuneration - Director Community Services</b>		
Annual Remuneration	464,624	-
Car Allowance	75,000	-
Cellphone Allowance	8,000	-
Other	44,166	-
	<b>591,790</b>	<b>-</b>
<b>Remuneration - Director Technical Services</b>		
Annual Remuneration	370,177	-
Car Allowance	101,448	-
Other	50,529	58,789
	<b>522,154</b>	<b>58,789</b>
<b>18. Remuneration of councillors</b>		
The Mayor	812,363	769,725
Deputy Mayor	516,211	601,468
Mayoral Committee Members	2,385,106	2,009,388
Speaker	656,970	570,387
Councillors	9,730,442	8,491,396
	<b>14,101,092</b>	<b>12,442,364</b>
<b>In-kind benefits</b>		
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor has the use of separate Council owned vehicles for official duties.		
The Mayor and Speaker each have three full-time bodyguards. The Deputy Mayor has two full-time bodyguards.		
The salaries, fringe benefits and allowances payable to councillors, as disclosed above, are within the limits as determined by the MEC for Cooperative Governance and Traditional Affairs.		
<b>19. Debt impairment and write offs</b>		
Debt impairment/(reversal of debt impairment)	10,212,577	8,352,421
Debts written off	54,541	10,269,509
	<b>10,267,118</b>	<b>18,621,930</b>
<b>20. Depreciation, amortisation and impairment</b>		
Property, plant and equipment	28,111,634	26,316,809
Intangible assets	670,523	922,916
	<b>28,782,157</b>	<b>27,239,725</b>

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## Notes to the Annual Financial Statements

	2018 R	2017 R
<b>21. Finance costs</b>		
Interest on borrowings	1,608,242	1,452,730
Interest other	397,144	657,926
	<b>2,005,386</b>	<b>2,110,656</b>
<b>22. Auditors' remuneration</b>		
Fees	1,450,498	1,673,321
<b>23. Contracted services</b>		
Security Services	20,258,181	16,381,596
Waste management	8,178,208	6,426,951
Other Contractors	-	240,000
	<b>28,436,389</b>	<b>23,048,547</b>
<b>24. Cash generated from operations</b>		
Surplus	5,970,354	9,129,418
<b>Adjustments for:</b>		
Depreciation and amortisation	28,782,157	27,239,725
Gain on sale of assets and liabilities	-	1,737
Assets written-off	19,735	302,000
Donations	(107,755)	-
Debt written off / Debt impairment	10,267,118	18,621,930
Movements in retirement benefit liabilities	(83,000)	10,000
Movements in provisions	806,609	401,317
Outstanding proceeds on asset disposal	-	350,883
Prior period errors	-	(1,909,916)
Derecognition of property, plant and equipment	332,001	-
Derecognition of investment property	5,396,000	-
<b>Changes in working capital:</b>		
Consumer debtors	(21,259,771)	(24,187,531)
Other receivables from non-exchange transactions	(402,500)	(631,381)
Payables from exchange transactions	11,139,252	6,266,477
VAT	1,060,661	5,796,422
Payroll accruals	969,013	432,754
Unspent conditional grants and receipts	2,085,422	(64,071)
	<b>44,975,296</b>	<b>41,759,764</b>



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## Notes to the Annual Financial Statements

	2018 R	2017 R
<b>25. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	44,809,123	58,503,710
• Electrification	1,992,445	1,756,579
	<b>46,801,568</b>	<b>60,260,289</b>
<b>Not yet contracted for and authorised by accounting officers</b>		
• Infrastructure	2,879,501	21,350,000
• Electrification	-	14,910,000
	<b>2,879,501</b>	<b>36,260,000</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	46,801,568	60,260,289
Not yet contracted for and authorised by accounting officers	2,879,501	36,260,000
	<b>49,681,069</b>	<b>96,520,289</b>
This committed expenditure relates to infrastructure, community and electrification projects and will be financed by government grants.		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	623,998	854,606
- in second to fifth year inclusive	-	623,998
	<b>623,998</b>	<b>1,478,604</b>

Operating lease payments represent rentals payable by the municipality for its office equipment and machines. Leases are negotiated for an average term of three years.

# Mtubatuba Municipality

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## Notes to the Annual Financial Statements

	2018 R	2017 R
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### 26. Contingencies

The following cases against the municipality are still pending and management consider them as contingent liabilities:  
**2018**

(1) Mtubatuba Municipality v Skills Direct Facilitators. Skills Direct Facilitators are claiming an amount of R15 200 due to damages incurred when the plaintiff's vehicle collided with a pothole within the Mtubatuba jurisdiction. The matter is due to be set down for trial. Costs to date: R5 303,90 plus estimated costs +/- R20 000 .

(2) Mtubatuba Municipality v Which Hunter Construction & Security Services. The plaintiff is claiming an amount of R353 400 from the municipality for the breach of contract. There are two actions pending in the Magistrate Court, Hlabisa and Regional Court, Empangeni. We have raised a special plea lis pendes and this will be enrolled for argument shortly. Cost to date: R34 679,75 plus estimated legal costs of +/- R40000.

(3) Mtubatuba Municipality v Khutala Consortium. This is an application to hold various officials in contempt of Court, as well as for a declaratory order declaring the notarial lease concluded between the municipality and Khutala Property Consortium invalid. Judgement as granted in the municipality favour, however, there is now an application for leave to appeal the judgement that is pending. Costs to date : R643 767,52 plus estimated legal costs of +/- R400 000 (if there is an appeal).

(4) Mtubatuba Municipality v JMB Hadebe and Others. This is an application for eviction, which may to expropriate private land by the municipality. There is potential financial exposure to the municipality in relation to the question of expropriation (payment to the land owner), but this cannot be determined with any certainty at this stage because the expropriation process is still in its infancy and it may well be that the department of human settlements takes over the entire process. Costs to date: R305 864,49 plus future legal costs of +/- R300 000.

(5) Mtubatuba Municipality v SAMWU, KI Mkhwanazi and Others. This is to challenge the legality of the upgrade of posts from grade 10 to grade 12. The matter has been referred to arbitration from the Labour Court but the parties have entered into settlement negotiations and seems very likely that the matter will be settled. Financial exposure in respect of fees: R784 037,44.

(6) Mtubatuba Municipality & The Minister of Police v Thokozani Ndlazi. The plaintiff (Mr Ndlazi) was arrested without a warrant and was not informed of his S35 constitutional rights. Thus Mr Ndlazi claims his arrest was unlawful. Amount paid by the municipality is R54 889 and estimated costs to finalise the matter is +/- R80 000.

### 27. Related parties

Relationships

Management remuneration

Council remuneration

Refer to employee related costs note 17

Refer to remuneration of councillors note 18

# Mtubatuba Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

### 28. Prior period errors

#### 1. Property Plant and Equipment

Through the detailed review of the Work in progress account balance, as at 30 June 2017, we noted that work in progress balance included expenditure relating to electrification projects that was supposed to be fully derognised during 2017 financial year end. This resulted to overstatement of Property Plant & Equipment as at 30 June 2017. The error constitutes a prior period error in terms of GRAP. The municipality has processed the necessary correcting entries in order to ensure fair presentation.

#### 2. Retentions

Through the detailed review of the retention schedule, the municipality discovered that some of the retention balances as at 30 June 2017 were for completed projects which had defects. Thus there is no obligation to pay these balances as the municipality used its own funds to repair the defects. This resulted to overstatement of Payables from exchange transactions balance. The error constitutes a prior period error in terms of GRAP. The municipality has processed the necessary correcting entries in order to ensure fair presentation.

#### 3. Trade payables

Through the detailed review of trade payables and confirmation from suppliers, the municipality discovered that there were invalid credit balances appearing in the age analysis. This resulted to overstatement of Payables from exchange transactions balance. The error constitutes a prior period error in terms of GRAP. The municipality has processed the necessary correcting entries in order to ensure fair presentation.

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Property, plant and equipment		(3,543,389)
Retentions		1,406,733
Trade payables	-	226,742
Opening Accumulated Surplus or Deficit		<u>(1,909,914)</u>

Account balance	Previously reported June 2017	Adjustment	Restated
Property, plant and equipment	348,066,910	(3,543,389)	344,523,521
Payables from exchange transactions	(27,615,611)	1,633,475	(25,982,136)
Accumulated Surplus	(373,874,993)	1,909,914	(371,965,079)
	<u>(53,423,694)</u>	<u>-</u>	<u>(53,423,694)</u>

### 29. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

#### Current liabilities

Trade and other payables from exchange transactions	37,121,395	25,982,138
Unspent conditional grants	4,533,595	2,448,173
	<u>41,654,990</u>	<u>28,430,311</u>

# Mtubatuba Municipality

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Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

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### 29. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Consumer debtors comprise of a large number of ratepayers dispersed across different sectors and geographical areas. Management evaluated credit risk relating to customers on an ongoing basis. Credit exposure is managed by application of the municipality's policies regarding credit control and debt collection. The municipality has made a provision for doubtful debts in accordance to its policies. The carrying amount of financial assets is the maximum exposure to credit risk in relation to these assets.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2018	2017
Trade and other receivables from exchange transactions	39,874,470	28,881,817
Trade and other receivables from non-exchange transactions	2,121,579	1,719,079
Cash and cash equivalents - Bank balances	12,296,636	7,575,327

#### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 30. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officers continue to procure funding for the ongoing operations for the municipality.

### 31. Events after the reporting date

There were no adjusting and non-adjusting events after the reporting date.

### 32. Unauthorised expenditure

Opening balance	122,061,842	83,637,683
Current year movement - actual expenditure exceeds budget	25,531,589	27,904,625
Unauthorised expenditure - water services	3,156,732	10,519,534
Less: Unauthorised expenditure reported to council	(122,061,842)	-
	<b>28,688,321</b>	<b>122,061,842</b>

The current year over-expenditure relates to non-cash items in respect of Depreciation, Provision for 13th cheque bonus and the Provision for accumulated leave days and cash items of Finance costs and Remuneration of councillors.

Included in the above unauthorised expenditure amount is a payment made for the provision of water services in contravention of Section 41(f) and (g) of the Constitution of South Africa. The provision of Water Services is a function of the District Municipality. To be referred to National Treasury for condonation.

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

### 33. Fruitless and wasteful expenditure

Opening balance	11,895,484	8,973,403
Interest on late payments	28,040	448,587
Penalties - SARS	54,642	444,161
Settlement agreement - Inyala Security	-	1,500,000
Legal fees - Scheepers Spies Mdaka	-	128,019
Notice of attachment -	-	401,314
Less: Amounts reported to council	(11,895,484)	-
	<b>82,682</b>	<b>11,895,484</b>

Fruitless and wasteful expenditure relates to interest and penalties paid on overdue accounts, as well as statutory obligations not honoured on time. In addition fruitless and wasteful expenditure includes expenses incurred on KwaMsane Taxi Rank which has been dismantled due structural defectiveness and Corridor Development project that could not be identified.

### 34. Irregular expenditure

Opening balance	58,897,907	49,315,591
Add: Irregular Expenditure - current year	3,610,006	9,582,316
SCM Deviations	17,881,193	18,586,680
Less: SCM Deviations reported	(17,881,193)	(18,586,680)
Less: Amounts not recoverable (condoned)	(58,897,907)	-
	<b>3,610,006</b>	<b>58,897,907</b>

Irregular expenditure relates to procurement of goods and services without following proper supply chain management processes. Irregular expenditure has been submitted to council and the council referred it to the MPAC for investigation.

### 35. Employee benefit obligation

The amounts recognised in the statement of financial position are as follows:

<b>Carrying value</b>		
Present value of obligation	(2,302,000)	(2,292,000)
Current interest cost	(217,000)	(212,000)
Actuarial (gain)/loss	171,000	67,000
Medical aid contributions	129,000	135,000
	<b>(2,219,000)</b>	<b>(2,302,000)</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

### 35. Employee benefit obligation (continued)

#### Other assumptions

Profile of active employees:

	One percentage point increase
Age<59	-
Age 60-64	1
Age 65-69	2
Age 70-74	1
Age>75	-
Average age	68
Average employer monthly contribution	2,567

### 36. Property rates

#### Rates

Municipal	30,614,327	32,415,229
Less: Income forgone	(1,056,274)	(1,219,183)
	<b>29,558,053</b>	<b>31,196,046</b>

#### Valuations

Agricultural	698,808,000	927,555,000
Business/Commercial	878,363,000	909,486,000
Government	348,865,000	348,039,000
Municipal	5,009,000	5,009,000
Place of worship	13,805,000	17,088,000
Public service infrastructure	6,816,000	7,051,000
Rural communal land	4,600,000	5,735,000
Residential	1,870,344,046	1,965,202,000
Vacant land	43,986,000	48,208,000
	<b>3,870,596,046</b>	<b>4,233,373,000</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A rebate for residential properties is granted by excluding the first R60,000 of the property market value. Interest is levied at 18%.

#### Property rates tariffs:

Agricultural: 0.00205c in the Rand

Business or commercial: 0.01430c in the Rand

Public service infrastructure: 0.00205c in the Rand

Vacant Land: 0.00817c in the Rand

Residential: 0.00817c in the Rand

Hospitality: 0.01430c in the Rand

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

### 37. Fines

Traffic fines	1,539,400	1,885,750
Library fines	2,987	10,812
	<b>1,542,387</b>	<b>1,896,562</b>

### 38. Other revenue

Insurance payout	1,022,626	-
Other	1,444,747	-
Administration and management fees received - third party	23,493	8,549
	<b>2,490,866</b>	<b>8,549</b>

### 39. Interest on consumer debtors

Consumers	11,548,946	8,271,945
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### 40. Interest on investments

Bank	1,765,050	2,014,252
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### 41. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

#### Statement of financial position - extract

	Comparative figures previously reported	After reclassification
Buildings	33,140,855	-
Motor vehicles	7,434,151	-
Plant and machinery	1,916,575	-
Furniture and fixtures	1,152,993	-
Office equipment	3,425,361	-
Infrastructure	168,801,127	-
Bins and containers	1,256,204	-
Other property, plant and equipment	587,872	-
Specialised vehicles	1,015,834	-
Water tanks	187,921	-
Other assets	-	19,622,834
Transport assets	-	7,434,151
Computer equipment	-	1,149,655
Furniture and office equipment	-	3,431,798
Machinery and equipment	-	4,964,406
Road infrastructure	-	94,159,847
Solid waste infrastructure	-	10,127,100
Storm water infrastructure	-	64,514,181
Community assets	-	13,514,921
<b>Total</b>	<b>218,918,893</b>	<b>218,918,893</b>

# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

### 41. Comparative figures (continued)

#### Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
Lease rentals on operating lease	-	(1,907,232)	(1,907,232)
General expenses	(64,261,637)	1,907,232	(62,354,405)
<b>Total</b>	<b>(64,261,637)</b>	<b>-</b>	<b>(64,261,637)</b>

### 42. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	506,110	505,857
Amount paid - current year	(506,110)	(505,857)
	<u>-</u>	<u>-</u>

#### Audit fees

Current year subscription / fee	1,653,987	1,924,843
Amount paid - current year	(1,660,003)	(1,924,843)
	<u>(6,016)</u>	<u>-</u>

#### PAYE and UIF

Opening balance	556,313	1,414,015
Current year subscription / fee	12,668,370	9,382,209
Amount paid - current year	(12,284,392)	(10,239,911)
	<u>940,291</u>	<u>556,313</u>

#### Pension and Medical Aid Deductions

Opening balance	1,020,120	(94,282)
Current year subscription / fee	18,553,147	11,952,540
Amount paid - current year	(18,132,870)	(10,838,138)
	<u>1,440,397</u>	<u>1,020,120</u>

#### VAT

VAT receivable	<u>2,416,788</u>	<u>3,477,449</u>
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.



# Mtubatuba Municipality

(Registration number KZN 275)

Annual Financial Statements for the year ended June 30, 2018

## Notes to the Annual Financial Statements

### 42. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2018:

June 30, 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mrs MM Davies	1,955	3,541	5,496
Mr RB Mkhwanazi	1,389	38,900	40,289
Ms JB Lembede	2,210	73,506	75,716
	<b>5,554</b>	<b>115,947</b>	<b>121,501</b>
June 30, 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mrs MM Davies	1,689	-	1,689
Mr NE Zuma	1,610	717	2,327
Mr RB Mkhwanazi	944	39,444	40,388
Ms JB Lembede	1,841	70,406	72,247
	<b>6,084</b>	<b>110,567</b>	<b>116,651</b>

### 43. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Council who considered them and subsequently approved the deviation from the normal supply chain management regulations. The deviations for 2018 - R17 881 192,70 and 2017 - R17 552 843.

## Appendix B

June 2018

### Analysis of property, plant and equipment as at 30 June 2018

Cost/Revaluation							Accumulated depreciation						
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	Opening Balance	Additions	Disposals	Transfers	Donations	Derecognition	Closing Balance	Opening Balance	Assets written-off	Newly identified assets	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	30,687,190	-	-	-	-	(332,000)	30,355,190	-	-	-	-	-	-	30,355,190
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>30,687,190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(332,000)</b>	<b>30,355,190</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,355,190</b>
<b>Infrastructure</b>														
Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bus terminals and taxi	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road network	94,161,661	53,370	-	-	-	-	94,215,031	-	-	-	(13,990,007)	-	(13,990,007)	80,225,024
Solid waste network	10,127,100	-	-	-	-	-	10,127,100	-	-	-	(3,226,873)	-	(3,226,873)	6,900,227
Stormwater network	64,514,178	-	-	-	-	-	64,514,178	-	-	-	(2,701,915)	-	(2,701,915)	61,812,263
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	19,622,836	192,711	-	-	-	-	19,815,547	-	-	-	(806,867)	-	(806,867)	19,008,680
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>188,425,775</b>	<b>246,081</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>188,671,856</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,725,662)</b>	<b>-</b>	<b>(20,725,662)</b>	<b>167,946,194</b>
<b>Community Assets</b>														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	62,019,647	235,006	-	32,830,987	-	-	95,085,640	-	-	-	(4,603,221)	-	(4,603,221)	90,482,419
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>62,019,647</b>	<b>235,006</b>	<b>-</b>	<b>32,830,987</b>	<b>-</b>	<b>-</b>	<b>95,085,640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,603,221)</b>	<b>-</b>	<b>(4,603,221)</b>	<b>90,482,419</b>

## Appendix B

June 2018

### Analysis of property, plant and equipment as at 30 June 2018

Cost/Revaluation						Accumulated depreciation							
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	Opening Balance	Additions	Disposals	Transfers	Donations	Derecognition	Closing Balance	Opening Balance	Assets written-off	Newly identified assets	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other - Statue	1,024,835	-	-	-	-	-	1,024,835	-	-	-	-	-	-	1,024,835
	<b>1,024,835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,024,835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,024,835</b>
<b>Work in progress</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets	23,791,252	25,813,816	-	(32,830,987)	-	-	16,774,081	-	-	-	-	-	-	16,774,081
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	294,824	7,401,999	-	-	-	-	7,696,823	-	-	-	-	-	-	7,696,823
Road Infrastructure	22,326,638	5,006,007	-	-	-	-	27,332,645	-	-	-	-	-	-	27,332,645
	<b>46,412,714</b>	<b>38,221,822</b>	<b>-</b>	<b>(32,830,987)</b>	<b>-</b>	<b>-</b>	<b>51,803,549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,803,549</b>
<b>Other assets</b>														
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & machinery	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1,149,655	592,894	-	-	-	-	1,742,549	-	-	-	(253,255)	-	(253,255)	1,489,294
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & fixtures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & office equipment	3,429,984	903,013	-	-	107,755	-	4,440,752	-	-	(19,738)	(771,410)	-	(791,148)	3,649,604
Machinery and equipment	4,964,406	247,880	-	-	-	-	5,212,286	-	-	-	(744,685)	-	(744,685)	4,467,601
Transport assets	7,434,151	-	-	-	-	-	7,434,151	-	-	-	(1,013,401)	-	(1,013,401)	6,420,750
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water tanks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased motor vehicle	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>16,978,196</b>	<b>1,743,787</b>	<b>-</b>	<b>-</b>	<b>107,755</b>	<b>-</b>	<b>18,829,738</b>	<b>-</b>	<b>-</b>	<b>(19,738)</b>	<b>(2,782,751)</b>	<b>-</b>	<b>(2,802,489)</b>	<b>16,027,249</b>

## Appendix B

June 2018

### Analysis of property, plant and equipment as at 30 June 2018

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Donations	Derecognition	Closing Balance	Opening Balance	Assets written-off	Newly identified assets	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Total property plant and equipment</b>														
Land and buildings	30,687,190	-	-	-	-	(332,000)	30,355,190	-	-	-	-	-	-	30,355,190
Infrastructure	188,425,775	246,081	-	-	-	-	188,671,856	-	-	-	(20,725,662)	-	(20,725,662)	167,946,194
Community Assets	62,019,647	235,006	-	32,830,987	-	-	95,085,640	-	-	-	(4,603,221)	-	(4,603,221)	90,482,419
Heritage assets	1,024,835	-	-	-	-	-	1,024,835	-	-	-	-	-	-	1,024,835
Work in progress	46,412,714	38,221,822	-	(32,830,987)	-	-	51,803,549	-	-	-	-	-	-	51,803,549
Other assets	16,978,196	1,743,787	-	-	107,755	-	18,829,738	-	-	(19,738)	(2,782,751)	-	(2,802,489)	16,027,249
	<b>345,548,357</b>	<b>40,446,696</b>	-	-	<b>107,755</b>	<b>(332,000)</b>	<b>385,770,808</b>	-	-	<b>(19,738)</b>	<b>(28,111,634)</b>	-	<b>(28,131,372)</b>	<b>357,639,436</b>
<b>Non-current assets held-for-sale</b>														
Non-current assets Held-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Computers - software & programming	2,370,975	133,924	-	-	-	-	2,504,899	(1,749,820)	-	-	(670,523)	-	(2,420,343)	84,556
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>2,370,975</b>	<b>133,924</b>	-	-	-	-	<b>2,504,899</b>	<b>(1,749,820)</b>	-	-	<b>(670,523)</b>	-	<b>(2,420,343)</b>	<b>84,556</b>
<b>Investment properties</b>														
Land and buildings	41,634,000	-	-	-	-	(5,396,000)	36,238,000	-	-	-	-	-	-	36,238,000
	<b>41,634,000</b>	-	-	-	-	<b>(5,396,000)</b>	<b>36,238,000</b>	-	-	-	-	-	-	<b>36,238,000</b>
<b>Total</b>														
Land and buildings	30,687,190	-	-	-	-	(332,000)	30,355,190	-	-	-	-	-	-	30,355,190
Infrastructure	188,425,775	246,081	-	-	-	-	188,671,856	-	-	-	(20,725,662)	-	(20,725,662)	167,946,194
Community Assets	62,019,647	235,006	-	32,830,987	-	-	95,085,640	-	-	-	(4,603,221)	-	(4,603,221)	90,482,419
Heritage assets	1,024,835	-	-	-	-	-	1,024,835	-	-	-	-	-	-	1,024,835
Work in progress	46,412,714	38,221,822	-	(32,830,987)	-	-	51,803,549	-	-	-	-	-	-	51,803,549
Other assets	16,978,196	1,743,787	-	-	107,755	-	18,829,738	-	-	(19,738)	(2,782,751)	-	(2,802,489)	16,027,249
Non-current assets held-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	2,370,975	133,924	-	-	-	-	2,504,899	(1,749,820)	-	-	(670,523)	-	(2,420,343)	84,556
Investment properties	41,634,000	-	-	-	-	(5,396,000)	36,238,000	-	-	-	-	-	-	36,238,000
	<b>389,553,332</b>	<b>40,580,620</b>	-	-	<b>107,755</b>	<b>(5,728,000)</b>	<b>424,513,707</b>	<b>(1,749,820)</b>	-	<b>(19,738)</b>	<b>(28,782,157)</b>	-	<b>(30,551,715)</b>	<b>393,961,992</b>

## Appendix B

Analysis of property, plant and equipment as at 30 June 2017	
Cost/Revaluation	Accumulated depreciation

[illegible]

## Appendix B

June 2018

### Analysis of property, plant and equipment as at 30 June 2017

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other - statue	1,020,835	-	-	-	-	-	1,020,835	-	-	-	-	-	-	1,020,835
	<b>1,020,835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,020,835</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,020,835</b>
<b>Work in progress</b>														
Work in progress	37,848,455	30,133,212	(17,467,453)	-	-	-	50,514,214	-	-	-	-	-	-	50,514,214
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>37,848,455</b>	<b>30,133,212</b>	<b>(17,467,453)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,514,214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,514,214</b>
<b>Other assets</b>														
General vehicles	1,753,754	1,016,656	-	-	-	-	2,770,410	(1,132,968)	-	-	(273,912)	-	(1,406,880)	1,363,530
Plant & equipment	288,402	535,200	(23,601)	-	-	-	800,001	(58,536)	7,622	-	(92,701)	-	(143,615)	656,386
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1,985,914	5,839	(79,470)	-	-	-	1,912,283	(1,068,848)	66,832	-	(282,759)	-	(1,284,775)	627,508
Office Equipment	1,234,963	654,549	(85,085)	-	-	-	1,804,427	(543,640)	76,716	-	(241,794)	-	(708,718)	1,095,709
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased motor vehicle	3,392,281	-	-	-	-	-	3,392,281	(1,137,798)	-	-	(335,423)	-	(1,473,221)	1,919,060
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised	-	1,150,000	-	-	-	-	1,150,000	-	-	-	(19,167)	-	(19,167)	1,130,833
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water tanks	2,798	139,221	-	-	-	-	142,019	(433)	-	-	(12,424)	-	(12,857)	129,162
Other security measures	131,010	-	(10,236)	-	-	-	120,774	(129,870)	10,236	-	(240)	-	(119,874)	900
Bins and Containers	351,154	149,500	(751)	-	-	-	499,903	(116,278)	754	-	(47,394)	-	(162,918)	336,985
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>9,140,276</b>	<b>3,650,965</b>	<b>(199,143)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,592,098</b>	<b>(4,188,371)</b>	<b>162,160</b>	<b>-</b>	<b>(1,305,814)</b>	<b>-</b>	<b>(5,332,025)</b>	<b>7,260,073</b>

## Appendix B

June 2018

### Analysis of property, plant and equipment as at 30 June 2017

#### Cost/Revaluation      Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	71,046,888	220,000	-	-	-	-	71,266,888	(3,994,241)	-	-	(1,337,634)	-	(5,331,875)	65,935,013
Infrastructure	165,753,194	6,443,209	-	-	-	-	172,196,403	(31,292,964)	-	-	(10,175,386)	-	(41,468,350)	130,728,053
Community Assets	47,433,826	11,024,245	-	-	-	-	58,458,071	(3,459,144)	-	-	(3,327,559)	-	(6,786,703)	51,671,368
Heritage assets	1,020,835	-	-	-	-	-	1,020,835	-	-	-	-	-	-	1,020,835
Work in progress	37,848,455	30,133,212	(17,467,453)	-	-	-	50,514,214	-	-	-	-	-	-	50,514,214
Other assets	9,140,276	3,650,965	(199,143)	-	-	-	12,592,098	(4,188,371)	162,160	-	(1,305,814)	-	(5,332,025)	7,260,073
	<b>332,243,474</b>	<b>51,471,631</b>	<b>(17,666,596)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>366,048,509</b>	<b>(42,934,720)</b>	<b>162,160</b>	<b>-</b>	<b>(16,146,393)</b>	<b>-</b>	<b>(58,918,953)</b>	<b>307,129,556</b>
<b>Non-current assets held for sale</b>														
Non-current assets held for sale	15,687,684	-	-	-	-	-	15,687,684	-	-	-	-	-	-	15,687,684
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>15,687,684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,687,684</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,687,684</b>
<b>Intangible assets</b>														
Computers - software & programming	412,193	556,775	-	-	-	-	968,968	(271,635)	-	-	(273,031)	-	(544,666)	424,302
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>412,193</b>	<b>556,775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>968,968</b>	<b>(271,635)</b>	<b>-</b>	<b>-</b>	<b>(273,031)</b>	<b>-</b>	<b>(544,666)</b>	<b>424,302</b>
<b>Investment properties</b>														
Investment property	25,684,000	558,300	-	-	-	-	26,242,300	-	-	-	-	-	-	26,242,300
	<b>25,684,000</b>	<b>558,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,242,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,242,300</b>
<b>Total</b>														
Land and buildings	71,046,888	220,000	-	-	-	-	71,266,888	(3,994,241)	-	-	(1,337,634)	-	(5,331,875)	65,935,013
Infrastructure	165,753,194	6,443,209	-	-	-	-	172,196,403	(31,292,964)	-	-	(10,175,386)	-	(41,468,350)	130,728,053
Community Assets	47,433,826	11,024,245	-	-	-	-	58,458,071	(3,459,144)	-	-	(3,327,559)	-	(6,786,703)	51,671,368
Heritage assets	1,020,835	-	-	-	-	-	1,020,835	-	-	-	-	-	-	1,020,835
Work in progress	37,848,455	30,133,212	(17,467,453)	-	-	-	50,514,214	-	-	-	-	-	-	50,514,214
Other assets	9,140,276	3,650,965	(199,143)	-	-	-	12,592,098	(4,188,371)	162,160	-	(1,305,814)	-	(5,332,025)	7,260,073
Non-current assets held for sale	15,687,684	-	-	-	-	-	15,687,684	-	-	-	-	-	-	15,687,684
Intangible assets	412,193	556,775	-	-	-	-	968,968	(271,635)	-	-	(273,031)	-	(544,666)	424,302
Investment properties	25,684,000	558,300	-	-	-	-	26,242,300	-	-	-	-	-	-	26,242,300
	<b>374,027,351</b>	<b>52,586,706</b>	<b>(17,666,596)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>408,947,461</b>	<b>(43,206,355)</b>	<b>162,160</b>	<b>-</b>	<b>(16,419,424)</b>	<b>-</b>	<b>(59,463,619)</b>	<b>349,483,842</b>